

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 IO-11 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

FEA-01 TAR-01 AGR-05 DLOS-04 OFA-01 INT-05 CG-00

DOT-00 /129 W

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R 081745Z JAN 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 5031

INFO AMEMBASSY ALGIERS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY TUNIS

USMISSION EC BRUSSELS

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USDEL MTN GENEVA

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SUBJECT: EC - TUNISIA AGREEMENT

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1. JANUARY 8 ITALIAN PRESS CARRIED INSIDE PAGES REPORTS FROM BRUSSELS THAT EC COMMISSION REPS HAVE CONCLUDED AD REFERENDUM ECONOMIC/FINANCIAL AGREEMENT WITH TUNISIA. REPORTS STATED AGREEMENT INCLUDED: (A) LOANS TOTALING 95 MILLION UNITS OF ACCOUNT (U/A), INCLUDING 42 MILLION U/A FROM EUROPEAN INVESTMENT BANK OVER NEXT 5 YEARS; (B) REDUCTIONS IN EC LEVY ON OLIVE OIL IMPORTED FROM TUNISIA OF 0.50 U/A PER 100 KILOGRAMS FOR OIL FOR "COMMERCIAL" PURPOSES AND 20 U/A PER 100 KILOGRAMS FOR OIL FOR "ECONOMIC" PURPOSES; AND (C) DUTY-FREE ENTRY INTO EC OF 50,000 HECTOLITERS OF "QUALITY" TUNISIAN WINE ANNUALLY AND 80 PERCENT DUTY REDUCTION IN IMPORTS OF TUNISIAN TABLE WINES. THE REPORTS NOTED THAT THERE ARE NO PROVISIONS IN THE AGREEMENT FOR "IMMEDIATE" TARIFF CUTS ON EC PRODUCTS IMPORTED BY TUNISIA, BUT THAT "BOTH SIDES ACCEPTED THE PRINCIPLE OF RECIPROCITY OF TARIFF REDUCTIONS."

2. EMBOFF DISCUSSED PRESS REPORTS WITH MINISTRY FOREIGN AFFAIRS (MFA) REP PENNAROLA (DIRECTOR, EC EXTERNAL ECONOMIC RELATIONS). PENNAROLA -- PLEASE PROTECT -- SAID THE BELIEVES COMMISSION EXCEEDED ITS MANDATE IN NEGOTIATING AGREEMENT, BUT THAT "ONE SHOULD TRY TO ACCEPT THE RESULT." HE INDICATED THAT, WITHIN GOI, MINISTRY AGRICULTURE REACTION TO AGREEMENT WAS NOT YET KNOWN, BUT THAT MFA WOULD HAVE FEW, IF ANY, PROBLEMS IN ACCEPTING TEXT OF AGREEMENT NEGOTIATED BY COMMISSION REPS. (THE IMPLICATION IS THAT MFA WILL TRY TO PERSUADE MINISTRY AGRICULTURE TO ACCEPT PROVISIONS ON OLIVE OIL AND WINE, WHICH COULD ADVERSELY AFFECT ITALIAN PRODUCERS.)

3. ON PERSONAL BASIS, PENNAROLA SAID HE BELIEVES AGREEMENT WILL ULTIMATELY BE ACCEPTED BY EC COUNCIL AS NEGOTIATED, BUT THAT MUCH SPADEWORK REMAINS TO BE DONE BEFORE SUCH ACCEPTANCE GIVEN. HE ENVISAGES THAT COMMISSION WILL "PRESENT" AGREEMENT TO JANUARY 19 EC COUNCIL FOR INFORMATION AND (PERHAPS) PRELIMINARY DISCUSSION, THAT FEBRUARY EC COUNCIL WILL PROVIDE "COMMENTS" ON AGREEMENT, AND THAT AGREEMENT WILL BE "ACCEPTED" AT MARCH COUNCIL MEETING. HE FORESEES FORMAL SIGNATURE BY EC AND GOI REPS IN LATE MARCH OR EARLY APRIL, ASSUMING EC NEGOTIATIONS WITH MOROCCO LIMITED OFFICIAL USE

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(STARTING JANUARY 8) AND ALGERIA (STARTING JANUARY 14) ARE ALSO CONCLUDED. PENNAROLA DEFINITELY STATED THAT GOI WILL NOT RPT NOT APPROACH OTHER EC MEMBER GOVERNMENTS TO ACCEPT AGREEMENT AS NEGOTIATED, EVEN THOUGH ITS ACCEPTANCE BY EC COUNCIL IS SIGNIFICANT FACTOR IN OVERALL ITALY-TUNISIA RELATIONS, INCLUDING THEIR RECENT FISHERIES DISPUTE.

4. COMMENT. PENNAROLA APPEARS TO BELIEVE THAT ITALIAN

MINISTRY OF AGRICULTURE (READ ITALIAN OLIVE AND WINE PRODUCERS), RATHER THAN OTHER EC MEMBER GOVERNMENTS, WILL PROVE TO BE MOST SIGNIFICANT OBSTACLE TO COUNCIL APPROVAL OF AGREEMENT. FAILURE OF EC TO APPROVE AGREEMENT COULD REOPEN ITALIAN-TUNISIAN FISHERIES DISPUTE(REFTEL), IN WHICH SETTLEMENT ACCEPTABLE EC-TUNISIA AGREEMENT WAS MAJOR FACTOR.

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